



State of Utah

Department of
Natural Resources

Division of
Oil, Gas & Mining

ROBERT L. MORGAN
Executive Director

LOWELL P. BRAXTON
Division Director

OLIVER S. WALKER
Governor

GAYLE E. McCLACHLIN
Lieutenant Governor

January 13, 2004

CERTIFIED RETURN RECEIPT
7099 3400 0016 8896 3083

Gordon Ziegler
Ziegler Chemical & Mineral Corp.
30 Jericho Executive Plaza
Suite 300 C
Jericho, New York 11753

Dear Mr. Ziegler:

Subject: Final Approval of Form and Amount of Replacement Reclamation
Surety, Ziegler Chemical & Mineral Corporation, Ziegler Gilsonite
Mine (M/047/013) and Neal State #1, 2 & 3 (S/047/063), Uintah
County, Utah

On December 31, 2003, we received three bonds issued by Bond
Safeguard Insurance Company on behalf of Ziegler Chemical Corp. Two of these
bonds were originally held by the School and Institutional Trust Lands
Administration (SITLA). After conferring with SITLA, it was determined that
because the Division now requires bonds for all sites, the replacement bonds
should be held by this office. Therefore, all three bonds have been submitted on
the Division's joint bonding forms

Bond #1 in the amount of \$450,200 replaces the existing Lyndon
Property Insurance Company bond #2, held by this Division.
This bond covers the existing 53.89 acres of disturbance at the Ziegler Gilsonite
Mine, involving SITLA & Bureau of Land Management lands.

Also sent to us was a \$7,500 surety bond #3 which was formerly
held by SITLA. This bond replaces a Great American Insurance Company bond
#4. The \$7,500 bond is being held for 1.5 acres of disturbance for SITLA
leases ML-19869 and ML-20779. SITLA advised us that the leases have been
canceled, but the area has not been reclaimed. These leases are located within the
Gilsonite Mine permitted area (M/047/013), but the amount was not calculated
into the \$450,200 bond. This bond will be kept separate, and when you have

Gordon Ziegler
Page 2 of 2
M/047/013 & S/047/063
January 13, 2004

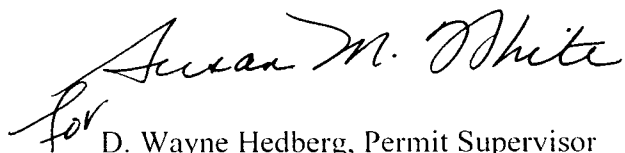
reclaimed the canceled lease areas, the \$7,500 bond can be released back to you and it will not affect the \$450,200 bond. Please advise us when the reclamation work has been completed and accepted by SITLA for these canceled leases, so we can inspect the area and release the \$7,500 bond back to you. We received one Reclamation Contract which encompasses both of these bonds.

The third bond #_____ is in the amount of \$24,000 for the Neal State #1, 2 & 3 small mine. This bond replaces a Great American Insurance Company bond _____ which was also formerly held by SITLA under ML-47356-OBA. This bond covers 4.8 acres of disturbance.

The Division Director has now signed and accepted the form and amount of these sureties. Copies of the executed Reclamation Contracts with accompanying bonds are enclosed for your records. We are also returning the original Lyndon Property Insurance Bond _____ with two accompanying riders, and the original Reclamation Contract with the effective date of November 7, 2002, for your disposal or return to the surety company.

Thank you for your help in finalizing the replacement of these surety bonds. Also, please extend our thanks to Jared McKeachnie of Schaefermeyer-Leavitt Insurance Agency for his help in replacing these documents as well. At his request, we are sending copies of the newly executed documents to him. If you have any questions or concerns regarding this letter, please contact Paul Baker of my staff at (801) 538-5261.

Sincerely,

A handwritten signature in cursive script, appearing to read "Susan M. White".

D. Wayne Hedberg, Permit Supervisor
Minerals Regulatory Program
Utah Division of Oil, Gas and Mining

jb
Enclosure #1 - copies of two MR-RC's & three surety bonds
#2 - Original Lyndon bond & MR-RC
cc. Pete Sokolosky, BLM, Vernal FO w/encl #1
Opie Abeyta, BLM, State Office w/encl #1
Will Stokes, SITLA w/encl #1
O:\M047-Umtah\M0470013-Ziegler\Final\apv-suretyreplace-01132004.doc